Apollo TriCoat
THREE STEPS AHEAD

July 23, 2019

To,
The Department of Corporate Services
BSE Limited
Floor 25, P J Towers
Dalal Street, Mumbai-400 001
Scrip Code: 538566

**Re. Q1FY20 Results Presentation**

Respected Sir(s),

We are attaching herewith a copy of the Results Presentation for Q1FY20. The presentation has also been uploaded on the official website of the Company.

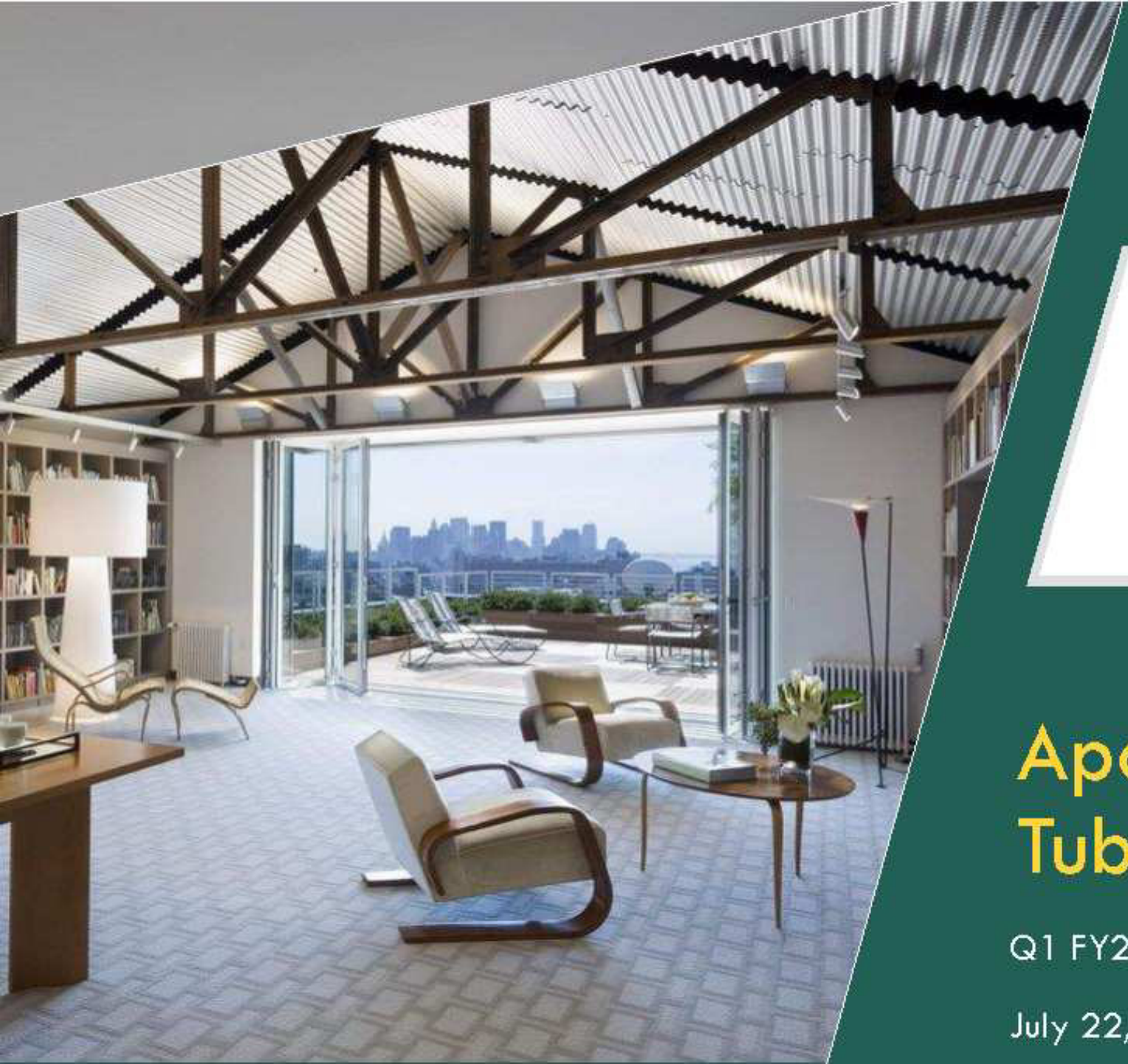
We would request you to please take the aforesaid information on your record.

Thanking You,
**For Apollo Tricoat Tubes Limited**

Surbhi

**Surbhi Arora**
**Company Secretary**
**M. No. A33370**

APOLLO TRICOAT TUBES LTD. DELHI



Apollo TriCoat

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# Apollo TriCoat Tubes Ltd.

Q1 FY20 Results Presentation

July 22, 2019

# Contents

# Q1 FY20 – Apollo Tricoat's 1st Quarter of full manufacturing operations

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Installed Total Capacity: **150,000 MTPA at the Greenfield facility in Malur, Bengaluru**

Commissioned manufacturing operations of **In-line Galvanizing (ILG) Pipes at existing Bengaluru facility**

Commissioned manufacturing operations of **Designer Galvanized (DG) Tubes at existing Bengaluru facility**

Volumes Registered: **10,286 MTPA**

Shri Lakshmi Metal Udyog Ltd. (SLMUL), wholly owned subsidiary of APL Apollo Tubes Ltd., **completes strategic acquisition of Apollo TriCoat in June 2019**

EBITDA stood at Rs. 6.3 crore leading to **EBITDA per ton of Rs. 6,135**

PAT: **Rs. 3.7 crore**

# Key Developments

**Commissioned manufacturing lines of In-line Galvanised (ILG) Pipes and Designer Galvanized (DG) Pipes at Bengaluru**

- The Company started commercial production of its first two product categories namely, the In-line Galvanized (ILG) pipes and Designer Galvanized (DG) Pipes at the existing Greenfield plant at Malur, Bengaluru
  - The manufacturing unit has a production capacity of 150,000 tons per annum
- The production of ILG pipes was achieved through the global Galvant Technology
  - Galvant technology is a single line continuous process of hot dip galvanizing of steel tubes and has multiple advantages such as double-life of products than any other galvanized product, top-of-class corrosion resistance and triple coated pipes
- Increased production of these two product categories in the coming quarters will provide a strong momentum to volume and sales performance, going forward

# Key Developments

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## New manufacturing lines for Narrow Sections and Door Frames to be operationalised by Q2 FY20

- In sync with its growth strategy, the Company will be setting-up two new manufacturing lines at a greenfield facility in Q2 FY2020 at Dujana, Dadri in the state of U.P.
- The production lines, with a total installed capacity of 100,000 MTPA, will be manufacturing the specialized and niche products such as Narrow Sections and Door Frames, the other two planned product categories of Apollo Tricoat
- Augmented production of all four categories of products, namely, ILG pipes, DG pipes, Narrow Sections and Door Frames, will further help boost volume performance in the fiscal year 2020

| Company targets to increase installed capacity to 250,000 MTPA | | | | |
|---|---|---|---|---|
| **Particulars (Tons)** | **In-line Galvanized ILG Pipes** | **Designer Galvanized DG Pipes** | **Narrow Sections** | **Door Frames** |
| **Established Installed Capacity** | **50,000 MTPA** | **100,000 MTPA** | | |
| **Upcoming Capacity in Q2 FY20** | | | **50,000 MTPA** | **50,000 MTPA** |
| **Total Installed Capacity** | **250,000 MTPA** | | | |

# Key Developments

**Shri Lakshmi Metal Udyog, a wholly owned subsidiary of APL Apollo Tubes Ltd., has concluded the acquisition of Apollo Tricoat in June 2019**

- In October 2018, Shri Lakshmi Metal Udyog Limited (SLMUL), wholly owned subsidiary of APL Apollo Tubes, had announced the acquisition of 8 mn shares and subscribed to 4.3 million warrants of Apollo Tricoat Tubes Ltd, thereby constituting ~ 40.4% (diluted basis) of the shareholding of Apollo Tricoat.
  - The 4.3 million warrants has been fully converted in to equal number of equity shares
- Subsequently, by way of open offer and market purchases (during the open offer) SLMUL also acquired ~10.2% of Apollo Tricoat in January 2019
- As on June 30, 2019, SLMUL owns ~50.6% stake in Apollo Tricoat

## Mr. Rahul Gupta,
## Chairman, Apollo TriCoat

**Commenting on the Company's performance for Q1 FY20, Mr. Rahul Gupta, Chairman, Apollo TriCoat said,**

*"We are pleased to report an encouraging set of results during Q1 FY20, our first ever quarter of full manufacturing operations. During the quarter, we registered Rs. 52 crore of revenues backed by sales volume of 10,268 MTPA.*

*I am also happy to share that, during the quarter, we commenced the commercial production of the ILG and DG Tubes, at our Greenfield manufacturing facility at Malur, Karnataka. The product segments, unique to the Indian markets, are made through the latest Galvant technology and offer a host of benefits. Further, over the next 4-6 months, we will also be focusing towards launching the other two new innovative products categories of Door frames and Narrow Sections. We are confident that all our four pipe segments will help create and capture a niche market of high margin coated tubes in India and will further address a huge latent demand in the country, in the longer-term.*

*As we look ahead, we have undertaken several other initiatives across marketing, branding, ramping up manufacturing operations and team development to expand and grow our business across newer segments and markets. With the scale up of our manufacturing operations and improving demand across markets, we expect to deliver a healthy sales momentum in the quarters ahead."*

# Abridged P&L Statement

| Particulars (Rs. crore) | Q1 FY20 |
|---|---|
| Revenue From Operations | 51.7 |
| Other Income | 0.2 |
| Total Income | **52.0** |
| Total Expenditure | |
| Raw Material expenses | 42.1 |
| Employee benefits expense | 1.2 |
| Other expenses | 2.4 |
| EBITDA | **6.3** |
| EBITDA margin (%) | **12%** |
| Finance Costs | 0.1 |
| Depreciation and Amortization | 1.2 |
| PBT | **5.1** |
| Tax expense | 1.4 |
| PAT | **3.7** |
| PAT Margins (%) | **7%** |

**Note: Figures for the corresponding quarters are not comparable on a Y-o-Y and Q-o-Q basis.**

# Financial Overview and Discussion (YoY)

➢ **The Company clocked revenues of Rs. 52 crore in the first quarter of full manufacturing operations**

- Registered volumes of 10,286 MTPA across the two product segments of In-line Galvanizing (ILG) pipes and Designer Galvanized (DG) pipes in Q1 FY20
- The Company is witnessing healthy demand for its niche product categories. Increasing contribution from the newly launched products will not only help broaden the product mix, but will also boost sales momentum on a Q-o-Q basis in the upcoming quarters

➢ **EBITDA during Q1 FY20 was at Rs. 6.3 crore; EBITDA margins at 12%**

- EBITDA per ton during Q1 FY20 stood at Rs. 6,135
- The Company is currently establishing various business initiatives such as ramping-up manufacturing operations, establishing new manufacturing lines, and undertaking marketing initiatives to improve visibility and reach of its high-end value-added products. These initiatives will significantly enhance productivity and improve business efficiency for Apollo Tricoat in the medium to longer term. Going forward, as the business gains momentum and manufacturing facilities are better utilized, the Company expects better absorption of overhead costs, leading to improved profitability performance
- In addition, the existing and upcoming product segments of Apollo Tricoat are higher margin value-added products, given their niche product applications in India. Thereby, increased portfolio of these value-added segments will further improve profitability and margins for the Company, going ahead.

▪ **In Q1 FY20, PAT stood at Rs. 3.7 crore, with margins at 7%**

**Note:**
(1) EBITDA with other income

# Outlook

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Commercial production of Narrow Sections and Door Frames (with the latest Direct forming technology) to begin from Q2 FY20 onwards

Target to achieve solid QoQ sales volume growth in FY20


Target of achieving industry leading EBITDA per ton

Expanding Reach to Newer Markets

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# Company Overview

# Apollo TriCoat Tubes – At a Glance

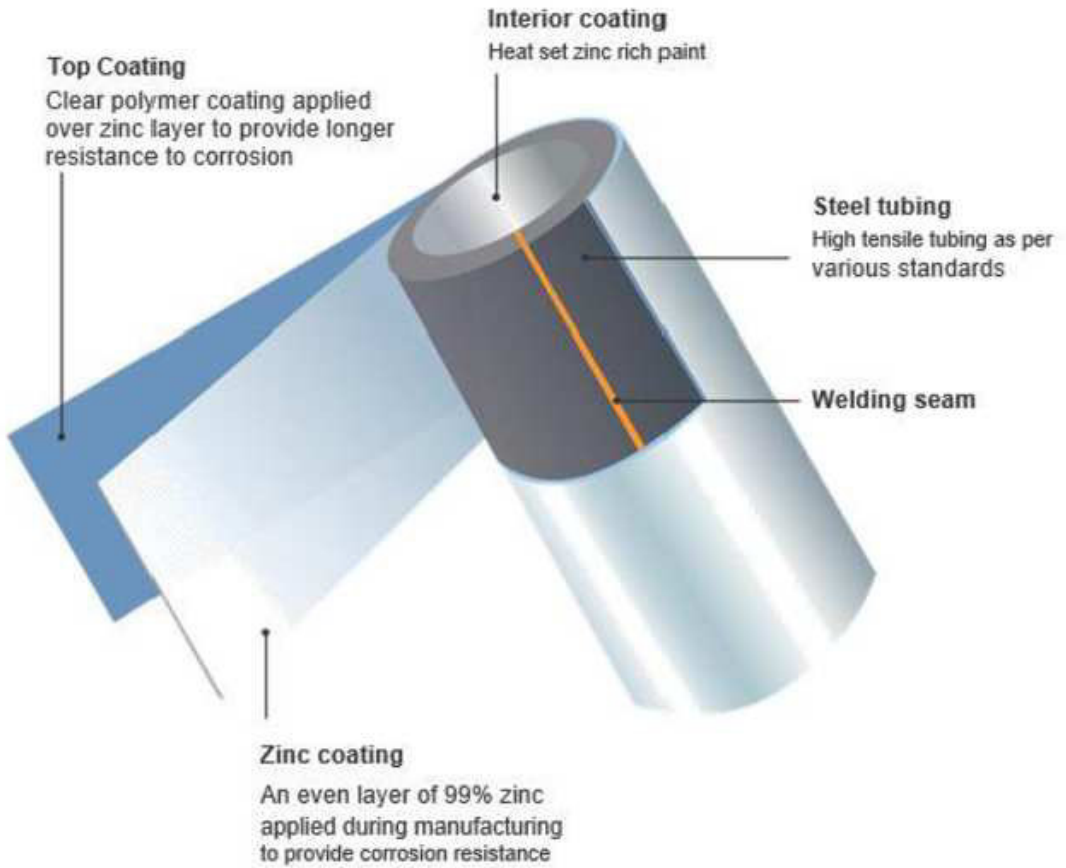
Apollo TriCoat Tubes Limited is India's first TriCoat tubes manufacturers

Subsidiary of Shri Lakshmi Metal Udyog, which is a wholly owned subsidiary of APL Apollo Tubes Ltd., one of India's leading branded steel tubes manufacturers

Introduced the latest global Galvant technology in India to manufacture steel pipes with triple-layer of protective coating – Paint, Zinc and Polymer

Established its first green field manufacturing facility in Malur, Bangalore with an initial capacity of 150,000 MTPA of In-line Galvanized and Designer Galvanized pipes. The Company is in the process of further expanding its value-added product portfolio by establishing 100,000 MTPA capacity of Narrow sections and Door Frames

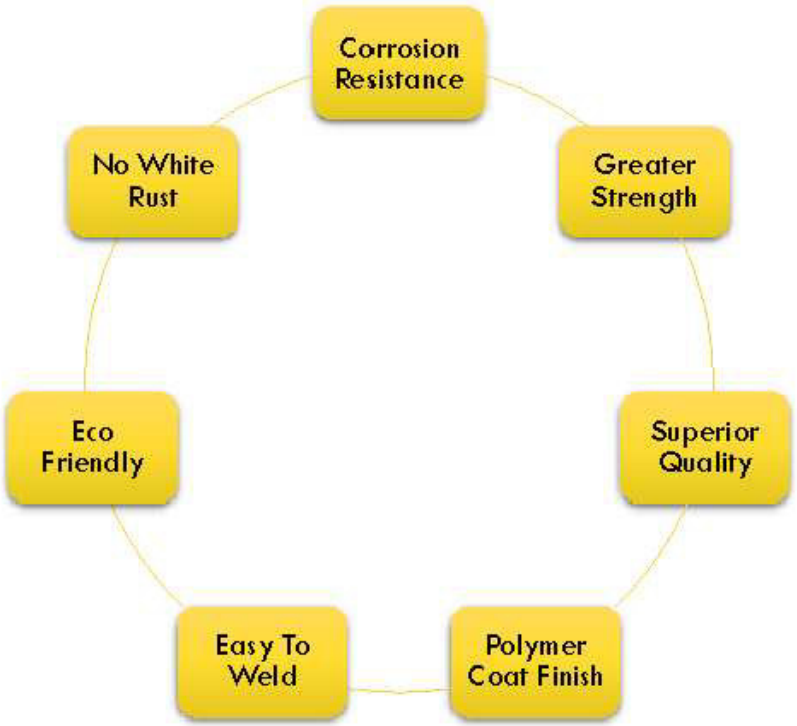
# Introduction to TriCoat Tubes



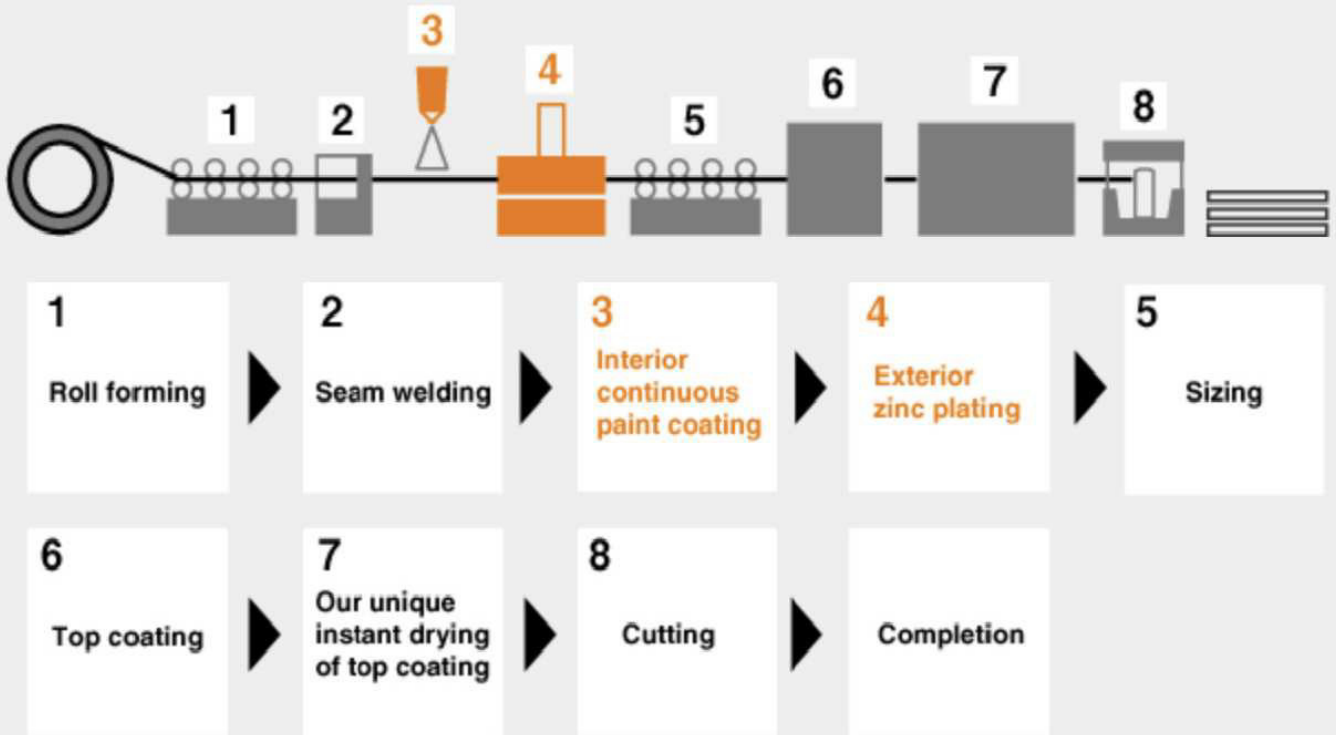

Manufacturing steel pipes with triple-layer of protective coating – Paint, Zinc and Polymer

**Features And Advantages**

The tri-coating which is virtually lead-free is exceptionally durable and stands up to severe fabrication processes



# Manufacturing Process

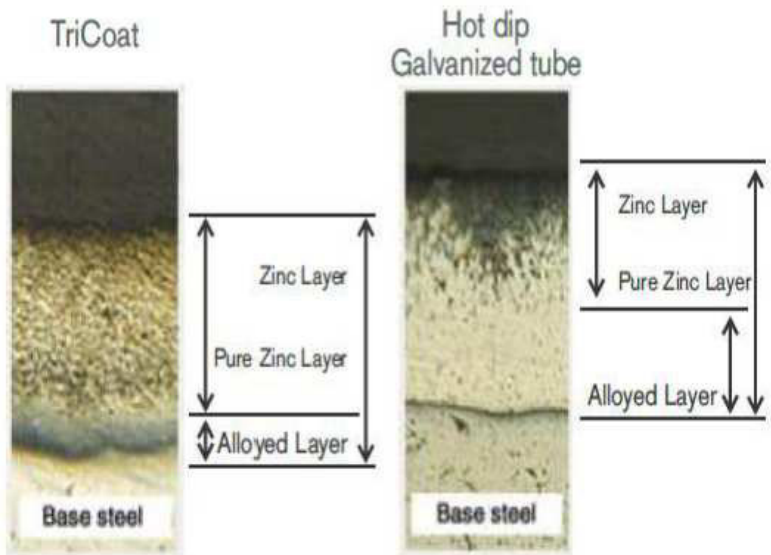



- Galvant Process is an continuous process of hot dip galvanizing of steel tubes from outside only
- Galvant as the name suggest galvanizing with gallant advantages provides double life than any other galvanized product
- Galvant Process provides the advantage of putting paint , zinc and polymer top coat seamlessly on a continuous process

# Key differentiators

## Corrosion Resistance :

- For The Past Several Decades Zinc Has Been Used To Protect Iron Or Steel From Corrosion. The Process Of Coating Iron Or Steel With Zinc Is Called Galvanization. Zinc As A Sacrificial Layer That Sacrifices Itself In Order To Protect The Iron Or Steel From Rusting.
- Apollo Tricoat Is The First Product Of Its Kind To Give A Combination Of Three Different Coating I.E. Zinc , Paint And Polymer Clear Coat Unlike The Competitive Products That Either Give Paint Finish Or Zinc Finish.
- The Three Layers Of Tricoat Have Their Own Role To Play In Corrosion Resistance.

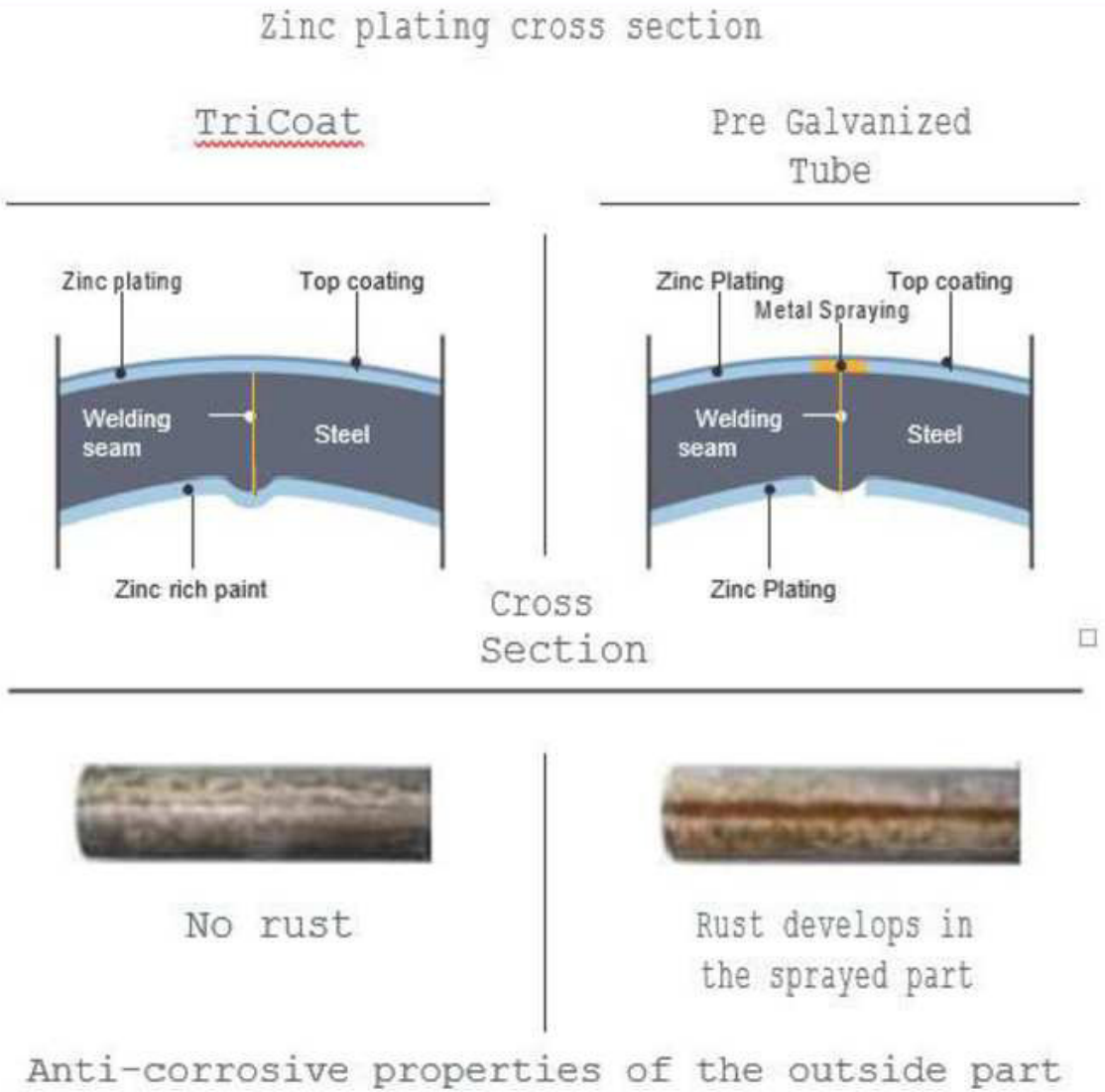


Zinc plating cross section

**LAYER 1 – Zinc**

- Zinc layer (thickness of 185 GSM) is been used to act as corrosion retardant.
- Due to a continuous process of tube making and galvanization, the thickness of the alloyed layer is minimized ,which enhances the corrosion resistance of the tubes.

# Key differentiators




## Layer 2 – Zinc Rich Paint

- TriCoat has a Zinc enriched paint on the inside wall of the tube which protects the tube from the moisture reaction after the tube has been fixed and used.
- In comparison to GI tubes, the weld seam which is prone to corrosion, is protected through applying paint , which gives the product a much higher life.

## Layer 3 – Clear Polymer Coat

- Clear polymer coating is been applied over the intermediate pretreatment.
- This polymer coating provides multiple benefits :
  - Smooth and lustrous
  - Uniform finish
  - Helps in extending the life to the steel section by providing protection to the zinc coating.

# Key differentiators

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## GREATER STRENGTH :

- Our product boasts superior yield and tensile strength of 50000 psi and 55000 psi respectively.
- This enhance the load bearing capacity of the structures and they can withstand tougher conditions.

| | COMPETITIVE GALVANISED PRODUCTS | TRICOAT |
|---|---|---|
| YIELD STRENGTH | 210 MPA | 350 MPA |
| TENSILE STRENGTH | 350 MPA | 380 MPA |

## ECO FRIENDLY :

- A sustainable global environment is a need we are all aware of Our manufacturing process reduces the use of substances that are harmful to the environment and human life.

| MATERIAL | ACCEPTABLE CONCENTRATION | TRICOAT | |
|---|---|---|---|
| Hexavalent chrome | 1000 ppm | 0 ppm | |
| Lead | 1000 ppm | 30ppm | >= |
| Cadmium | 100 ppm | 20 ppm | >= |

# Major Applications

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**ELECTRICAL CONDUIT**

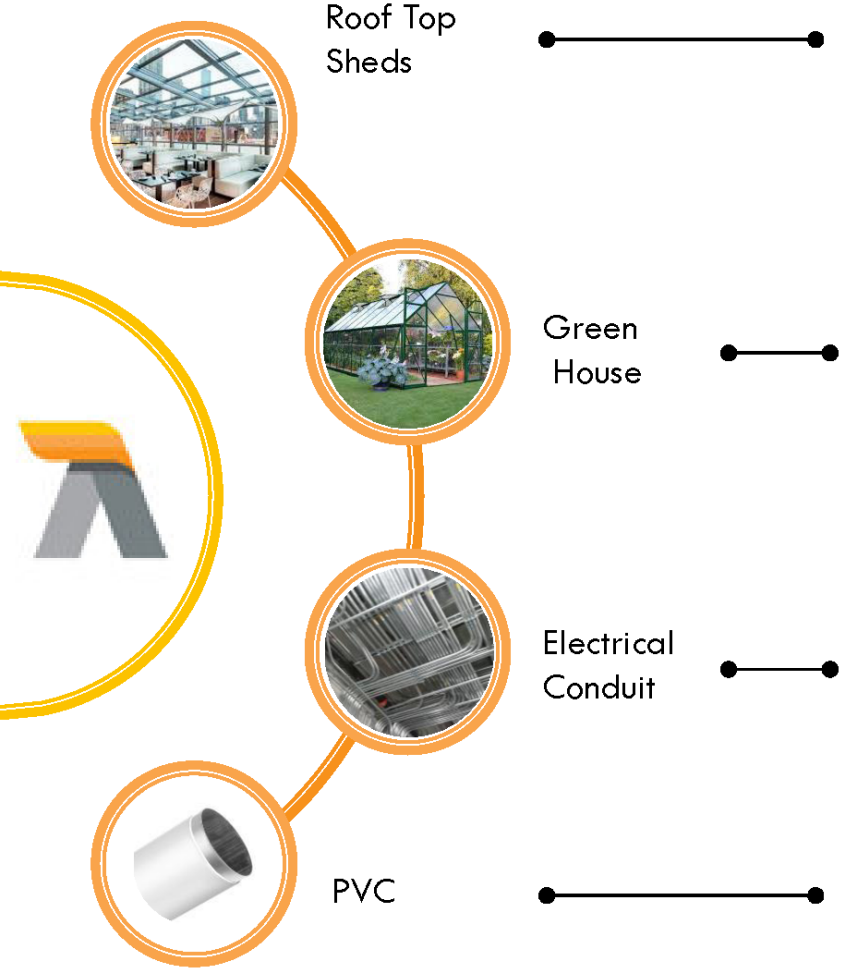
**GREEN HOUSE TUBING**

**ROOFTOP SHED**

**SCAFFOLDING**

**GENERAL FABRICATION**

# Market development plans




Develop key markets for Tricoat Tubes: Kerala, a key market for corrosion resistance products, has a 30,000 MT per month market for galvanised steel tubes used primarily for making roof tops sheds. Tricoat tubes have double the life of Galvanised products and the market is constantly looking at better corrosion resistance products with better strength

Focus on Green House market: Green House is an emerging market in India and the segment requires products with corrosion resistance and strength. The Company believes this segment has a great potential to the application of TriCoat pipes. Apollo TriCoat is already in the process of getting its products approved by National Horticulture Board (NHB) and National Horticulture Mission (NHM)

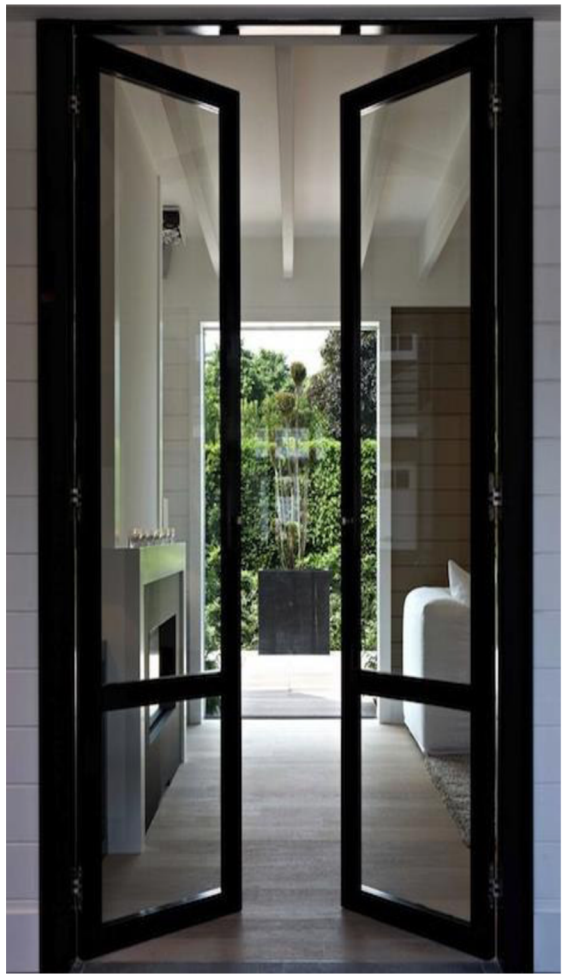
Increase usage in electrical conduit: TriCoat **tubes** are being used for electrical conduiting purpose in developed countries. In certain countries like USA , Canada and Australia it is mandatory to use steel tubes for a exposed conduiting in all high rise buildings. So Apollo TriCoat believes there is a huge market and scope for developing this segment in India as well

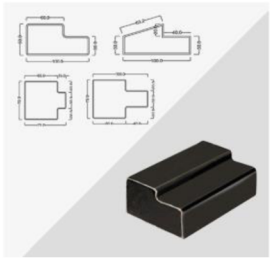
Drinking water segment: Sizeable opportunity to develop TriCoat usage inside PVC coated tubes for drinking water

# Expanding value-added product portfolio – Steel window and door frames

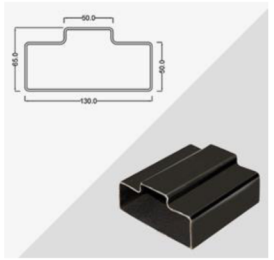
## Ideal replacement to traditional wood door and window frames

- **Easy to Install** - Relatively easy & economical to set up
- **Durability** - 3x stronger than aluminum; longer life cycle offers better cost economics
- **Low Maintenance** - Resistant to cracking, bowing & rusting. Zero risk from termites
- Lower cost compared to wooden & vinyl frame
- **End Usage** - mainly used in affordable housing segments, high-end housing, commercial buildings, industrial sheds
- Huge addressable opportunity in domestic markets - Total steel door and window-frame market in India ~ Rs. 40,000 crore
- Apollo Tricot targeting total installed capacity of 50, 000 MTPA in door & window frame by H1 FY20

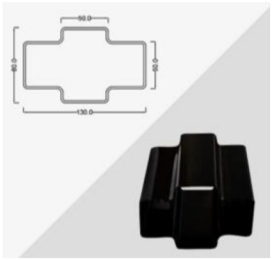




Single Door Sections



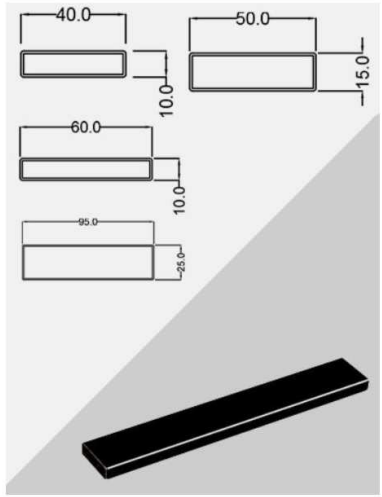
Double Door Sections



Double Door Double Sections (3DS)

# Narrow Sections

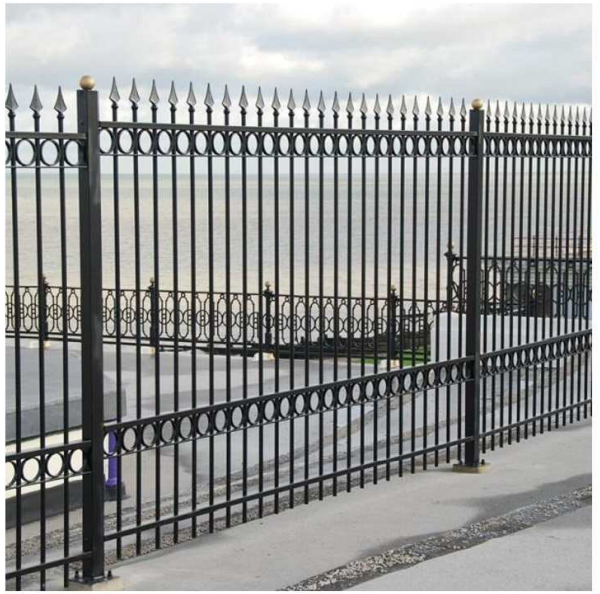
- **Durable** – Longer life cycle, better cost economics
- **Consistent texture** – Uniform Length and Thickness
- **Robust** – High Strength and Supreme Load Bearing Capacity
- **Replacement of wood & steel plates -** Lightweight compared to Solid Steel plates
- **End usage -** Narrow section pipes being lightweight and highly durable is used for truck body, stair cases & the housing segment for window Railings, Cable Railings, Closet Solutions & kitchen railings.




Narrow Sections

# Designer Galvanized Pipe

- **Economical** - Costing for designer galvanized pipes is lower than many other commonly specified protective coatings
- **Longetivity** - Life expectancy of galvanized coatings on typical structural members is far in excess of over 25 years
- **Superior features** - A galvanized coating has a unique metallurgical structure which gives outstanding resistance to corrosion and rust. It also keeps other minerals, such as calcium, from building up on the pipes .
- **End usage** - Designer Galvanized pipe is a replacement of Stainless Steel and is used for fencing and decorative purposes in Tier II and III cities – Used in cupboards, beds, shelves, hand rails, well casing and house fencing



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# Thank You